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**BY-LAWS
OF
FARMERS' ELECTRIC COOPERATIVE, INC., OF NEW MEXICO**

**ARTICLE I.
MEMBERSHIP**

SECTION 1. REQUIREMENTS FOR MEMBERSHIP

Any person, firm, association, partnership, corporation, joint venture, other business entity, or body politic or subdivision thereof will become a member of Farmers' Electric Cooperative, Inc., of New Mexico (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that he/she or it has first:

- (a) Made a written application for membership therein;
- (b) Agreed to purchase from the Cooperative electric energy as hereinafter specified; and,
- (c) Agreed to comply with and be bound by the articles of incorporation and bylaws of the Cooperative and any rules and regulations adopted by the Board of Trustees (hereinafter called the "Board").

No member may hold more than one voting membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these bylaws. Anything in these bylaws to the contrary notwithstanding, the Cooperative is a public utility as that term is defined in the Public Utility Act, and the Cooperative will sell or furnish electricity to the general public for light, heat, or power or other uses, members and nonmembers alike, according to its rules, regulations and tariffs.

SECTION 2. JOINT MEMBERSHIP.

A husband and wife will be considered a joint membership, and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership on that basis. The term "member" as used in these bylaws shall be deemed to include a husband and wife holding a joint membership and any provisions relating to the rights and

liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect to the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall have the effect of constituting a joint waiver of notice of the meeting.
- (b) The vote of either separately or both jointly shall constitute one joint vote.
- (c) A waiver of notice signed by either or both shall constitute a joint waiver.
- (d) Notice to either shall constitute notice to both.
- (e) Expulsion of either shall terminate the joint membership.
- (f) Withdrawal of either shall terminate the joint membership.
- (g) Either but not both may be elected or appointed as an officer or trustee, provided that both meet the qualifications for such office.

Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership may be surrendered, and shall be reissued in such manner as shall indicate the changed membership status, provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 3. MEMBERSHIP FEES.

There shall be no membership fee.

SECTION 4. PURCHASE OF ELECTRIC ENERGY.

Each member of the Cooperative shall as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in his/her/its application for membership or electric service extension agreement, as the case may be, and shall pay therefore at rates which shall from time to time be fixed by the Board, and, if required by law, which shall be filed with any regulatory agency having jurisdiction to regulate the rates of the Cooperative. Production or use of electric energy on such premises, regardless of the source thereof, by

means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. The Board may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. It is expressly understood that amounts paid for electric energy in excess of the costs of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these bylaws. Each member shall also pay all amounts owed by him/her to the Cooperative as and when the same shall become due and payable.

SECTION 5. TERMINATION OF MEMBERSHIP.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than two-thirds of all the members of the Board, expel any member who fails to comply with any of the provisions of the articles of incorporation, bylaws or rules or regulations adopted by the Board, but only if such member shall have been given written notice by the Cooperative that such failure makes him/her liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting. The membership of a member who for a period of six (6) months after service is available to him/her, has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, shall be automatically terminated without the necessity of notice or hearing.
- (b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his/her estate from any debts due to the Cooperative.

ARTICLE II. RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. PROPERTY INTEREST OF MEMBERS.

Upon dissolution, after

- (a) All debts and liabilities of the Cooperative shall have been paid; and,
- (b) All capital furnished through membership shall have been retired as provided in these bylaws,

the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate membership of each bears to the total membership of all members, unless otherwise provided by law.

SECTION 2. NON-LIABILITY FOR DEBTS OF THE COOPERATIVE.

The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative, and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

SECTION 3. EASEMENTS.

Each member shall, upon being requested to do so by the Cooperative, execute and deliver to the Cooperative rights-of-way over, on and under lands owned, leased or controlled by the member, as the Cooperative shall require for the furnishing of electric service to its members at any time or for the construction, operation, maintenance, repair, removal, exchange of its equipment or relocation of its facilities.

SECTION 4. SET-OFF.

Any funds to be paid a member by the Cooperative, whether a retirement of capital credits or otherwise, shall first be reduced and set-off by any amounts due the Cooperative as shown on the records of the Cooperative regardless of the time or times such amounts became due and owing.

ARTICLE III. MEETINGS OF MEMBERS

SECTION 1. ANNUAL MEETING.

The Annual Meeting of the members shall be held not earlier than the first day of April nor later than the first day of August of each year at such place within the service area of the Cooperative as shall be designated by the Board in the notice of the meeting for the purpose of electing trustees, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board to make adequate plans and preparation for the Annual Meeting. Failure to hold the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2. SPECIAL MEETING.

Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any three (3) trustees, by the President, or by ten per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as provided by law. Special meetings of the members may be held at any place within the service area of the Cooperative, specified in the notice of the special meeting.

SECTION 3. NOTICE OF MEMBERS MEETING.

Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than twenty-five (25) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

In the event of inclement weather or the occurrence of a catastrophic event, the meeting of the members may be postponed by the President, Vice President or the Board. Notice of the postponed meeting shall be given by the President, Vice President or the Board, in any medium of general circulation or broadcast serving the area.

SECTION 4. QUORUM.

At any meeting of the members, a quorum shall consist of one hundred (100) members, or two per centum of the total number of members, which are present in person at the meeting, whichever number shall be the lesser. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person.

SECTION 5. VOTING.

Each member shall be entitled to only one vote upon each matter submitted to a vote at the meeting of the membership. Cumulative voting is not permitted. Voting by members other than members who are natural persons shall be allowed upon presentation to the Cooperative, prior to each member meeting, of satisfactory evidence entitling the person presenting the same to vote. All questions shall be decided by a vote of a majority of the members voting thereon in person, except as otherwise provided by law, the article of incorporation or these bylaws.

SECTION 6. PROXIES PROHIBITED.

At all meetings of members, a member may vote only in person. Voting by proxies for any reason whatsoever is prohibited.

SECTION 7. ORDER OF BUSINESS.

The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meeting:

1. Report as to which members are present in person in order to determine the existence of a quorum.

2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of reports of officers, trustees and committees.
5. Election of trustees.
6. Unfinished business.
7. New business.
8. Adjournment.

All issues with respect to the Annual Meeting or a Special Meeting shall be governed according to Robert's Rules of Order unless otherwise specified by law or the Articles of Incorporation.

ARTICLE IV. TRUSTEES

SECTION 1. GENERAL POWERS.

The business and affairs of the Cooperative shall be managed by a Board of seven (7) trustees which shall exercise all of the powers of the Cooperative except such as are by law, the article of incorporation or these bylaws conferred upon or reserved to the members.

SECTION 2. QUALIFICATIONS.

In order to be eligible to become or remain a trustee or to hold any position of trust in the Cooperative a person shall:

- (a) Be a member of the Cooperative,
- (b) Be a bona fide resident of his/her trustee district and a permanent occupant receiving electric service from the Cooperative at his/her primary residential abode,
- (c) Not in any significant way be employed by or financially interested in a competing enterprise or a business engaged in selling or supplying electric energy or supplies, or constructing or maintaining electric facilities other than a business operating

- on a Cooperative non-profit basis or be employed by a supplier of merchandise to the Cooperative,
- (d) Not be employed by or have a close relative employed by the Cooperative in any position. As used in these bylaws, close relative' means a person who, by blood or in-law, including half, foster, step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece of the principal.

Upon establishment of the fact that a trustee is holding office in violation of any of the foregoing provisions, it shall immediately become incumbent upon the Board to remove such trustee from office.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board.

SECTION 3. NOMINATIONS, ELECTION, AND TENURE.

Trustees shall be elected by secret ballot as provided herein at the Annual Meeting of the members. In the election of trustees, a voice vote may be permitted if there is no competition for a position or positions to be filled.

The area served by the Cooperative shall from time to time be divided by resolution of the Board into seven (7) trustee positions. The Board is charged with dividing the service area of the Cooperative into districts which shall as nearly as practicable afford equal representation of each member of the Cooperative upon the Board. One trustee shall be elected to each of the seven (7) designated trustee positions.

- (a) The terms of trustees elected shall be for three years and until a successor shall have been elected and qualified. The rotation is Districts 2 and 7, Districts 3 and 5, and Districts 1, 4, and 6.
- (b) Nominating Committee. A nominating committee consisting of three members from each district from which a trustee is to be elected shall be appointed by the Board, not less than 60 nor more than 120 days before the annual meeting. Each committee shall meet not less than 45 days before the annual meeting and select one nominee for trustee from their district.

The nomination shall be posted at the principal office of the Cooperative immediately following the committee meeting. No member of the Board may serve on such a committee.

- (c) Nominations by Petition. Any fifty (50) members, in good standing with the Cooperative, residing in a district from which a trustee is to be elected may make nominations by petition for a trustee from that district, provided such nominating petition is filed in the principal office of the Cooperative not less than 20 days prior to the annual meeting. No member may nominate more than one candidate for a trustee position.
- (d) The Secretary shall mail with the notice of the meeting or separately, but at least seven (7) days before the date of the meeting, a statement of the number of trustees to be elected and the names and addresses of the candidates, specifying separately the nominations made by the committee on nominations and also the nominations made by petition, if any.

SECTION 4. REMOVAL OF BOARD MEMBER BY MEMBERS.

Any member may bring charges against a board member which specify malfeasance or nonfeasance in the duties and responsibilities of his/her trustee and, by filing with the Secretary such charges in writing together with a petition signed by at least ten per centum of the members or two hundred (200) members, whichever is the lesser, may request the removal of such board member by reason thereof. Such board member shall be informed in writing of the charges at least thirty days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence or examine or cross-examine witness in respect of the charges; and the person or persons bringing the charges against him/her shall have the same opportunity. The question of the removal for cause of such board member shall be considered and voted upon at the meeting of the members, and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations. No trustee shall be removed from office unless by vote of two-thirds (2/3) of the members present. A trustee may resign at any time by written notice delivered to the Board, the

President or Secretary of the Cooperative. The resignation is effective when the notice is received unless the notice specifies a future date.

SECTION 5. VACANCIES.

Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of trustees by the members, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining trustees for the unexpired portion of the term of the trustee in respect of whom the vacancy occurs.

SECTION 6. COMPENSATION.

Trustees, as such, shall not receive any salary for their services, but by resolution of the Board a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the Board. If authorized by the Board, trustees may also be reimbursed for expenses actually and necessarily incurred in carrying out business of the Cooperative, or may be granted a reasonable per diem and mileage allowance by the Board in lieu of detailed accounting for these expenses. No trustee shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a trustee receive compensation for serving the Cooperative, unless the payment of compensation shall be specifically authorized by a vote of the members, or the service by such trustees or close relatives shall have been certified by the Board as an emergency measure.

ARTICLE V. MEETING OF TRUSTEES

SECTION 1. REGULAR MEETINGS.

A regular meeting of the Board shall be held without notice other than this bylaw, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board shall also be held monthly at such time and place as the Board may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. SPECIAL MEETINGS.

Special meetings of the Board may be called by the President or by any three trustees, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or the trustees calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 3. NOTICE OF TRUSTEES' SPECIAL MEETINGS.

Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each trustee either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the trustees calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the trustee at his address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting.

SECTION 4. QUORUM.

A majority of the Board shall constitute a quorum; provided, that if less than a majority of the Board is present at any meeting, a majority of the trustees present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent trustees of the time and place of such adjourned meeting. The act of a majority of the trustees present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these bylaws.

ARTICLE VI. OFFICERS

SECTION 1. NUMBER.

The officers of the Cooperative shall be a President, Vice-President, Secretary, and Treasurer, and such other officers as may be determined by the Board from time to time. The offices of Secretary and of Treasurer may be held by the same person.

SECTION 2. ELECTION AND TERM OF OFFICE.

The officers shall be elected annually by and from the Board at the meeting of the Board held directly after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until his/her successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SECTION 3. REMOVAL OF OFFICERS AND AGENTS BY TRUSTEES.

Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Cooperative will be served thereby. In addition any member of the Cooperative may bring charges for cause against an officer, and by filing such charges in writing with the Secretary, together with a petition signed by ten per centum of the members or two hundred (200), whichever is the lesser, may request the removal of such officer. The officer against whom such charges for cause have been brought shall be informed in writing of the charges at least thirty (30) days prior to the meeting of the Board at which the charges are to be considered, and he/she shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence or examine or cross-examine witness in respect of the charges; and the person or persons bringing the charges against him/her shall have the same opportunity. In the event the Board does not remove such officer, the question of his/her removal shall be considered and voted upon at the next meeting of the members.

SECTION 4. PRESIDENT.

The President shall:

- (a) Be the principal executive officer of the Cooperative and, unless otherwise determined by the members or the Board, preside at all meetings of the members and the Board;
- (b) Sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and

execution thereof shall be expressly delegated by the Board or by these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and,

- (c) In general perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

SECTION 5. VICE-PRESIDENT.

In the absence of the President, or in the event of his/her inability or refusal to act, the Vice-President shall perform the duties of the President and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice-President shall also perform such other duties as from time to time may be assigned to him/her by the Board.

SECTION 6. SECRETARY.

The Secretary shall be responsible for:

- (a) Keeping, or causing to be kept, the minutes of the meetings of the members and of the Board—in books provided for that purpose;
- (b) Seeing that all notices are duly given in accordance with these bylaws or as required by laws;
- (c) The safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all certificates of membership prior to the issue thereof, and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;
- (d) Keeping a register of the names and the post office addresses of all members;
- (e) Keeping on file at all times a complete copy of the articles of incorporation and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member), and at the expense of the Cooperative furnishing a copy of the bylaws and of all amendments thereto to any member upon request;

- (f) In general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him/her by the Board; and,
- (g) The Secretary shall have authority, with the approval of the Board, to delegate to the General Manager the authority to appoint employees of the Cooperative to actually carry out the responsibilities set forth in this Section.

SECTION 7. TREASURER.

The Treasurer shall be responsible for:

- (a) Custody of all funds and securities of the Cooperative;
- (b) The receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank, banks or in such financial institutions or securities as shall be selected in accordance with the provisions of these bylaws;
- (c) The general performance of all the incident to the office of the Treasurer, and such other duties as from time to time may be assigned to him/her by the Board; and,
- (d) The Treasurer shall have authority, with the approval of the Board, to delegate to the General Manager the authority to appoint employees of the Cooperative to actually carry out the responsibilities set forth in this Section.

SECTION 8. MANAGER.

The Board may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties and shall exercise such authority as the Board may from time to time vest in him/her.

SECTION 9. BONDS OF OFFICERS.

The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the Board shall determine. The Board in its discretion may also require any other officer, agent or

employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

SECTION 10. COMPENSATION.

The powers, duties and compensation of any officers, agents and employees shall be fixed by the Board, subject to the provisions of these bylaws with respect to compensation for trustees and close relatives of trustees.

SECTION 11. REPORTS.

The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

SECTION 12. FACSIMILE SIGNATURES.

Should the Board by either a specific or general resolution so authorize the signature of any officer or the imprint of the corporate seal may be affixed to any document in facsimile form.

ARTICLE VII. NON-PROFIT OPERATION

SECTION 1. INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED.

The Cooperative shall at all times be operated on a cooperative nonprofit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

SECTION 2. CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC ENERGY

In the furnishing of electric energy the Cooperative's operations shall be so conducted that all, members and nonmembers alike, will through their membership furnish capital for the Cooperative. In order to induce membership and to assure that the Cooperative will operate on a nonprofit

basis, the Cooperative is obligated to account on a membership basis to all its, members and nonmembers alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the, members and nonmembers alike, as capital. The Cooperative is obligated to pay by credits to a capital account for each member all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the account of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to his account. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts for capital. The Board shall be authorized to deduct upon such terms and conditions as the Board, acting under policies of general application shall determine, at the time of its incurrence from the amount of a members capital credit the amount of any past due debt or other obligation owed by any such member of the Cooperative.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law,

- (a) be used to offset any losses incurred during the current or any prior fiscal year; or,
- (b) to the extent not needed for that purpose be retained unallocated to service debts; or
- (c) be retained as permanent equity in the Cooperative; or,
- (d) to the extent not needed for these purposes, be allocated to members on a patronage basis.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of

members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to members' accounts may be retired in full or in part. The Board shall determine the method, basis, priority and order of retirement, if any, for all amounts furnished as capital. In no event shall any retirements of capital be made if such retirements would violate any applicable law or regulation, or if such retirements would breach any provision of any mortgage or loan contract executed by the Cooperative upon the authority of the Board pursuant to the provisions of Article VIII of these bylaws.

Capital credited to the account of each member shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or part of such member's premises served by the Cooperative unless the Board, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these bylaws, the Board at its discretion shall have the power, at any time upon the death of any member, if the legal representatives of the estate shall request in writing that the capital credited to any such member be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such member immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such member's estate, shall agree upon. In those instances in which no probate, whether formal or informal is commenced, or no personal representative appointed, the Cooperative shall have the discretion to retire capital credits upon presentation of a death certificate and after a determination of the heirs is made. A release shall be procured from all of such heirs such that upon distribution the heirs agree to release, indemnify and hold harmless the Cooperative from any and all further claims, demand, actions, causes of action, or rights of others to said capital credits. The Cooperative is further authorized to negotiate capital credit settlement arrangements with bankrupt members. However the financial condition of the Cooperative in any such capital credit payment set forth herein must not be impaired thereby.

The members of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation,

bylaws, and the terms and provisions of all rules and regulations adopted in writing by the Board pursuant to the powers granted to the Board by the article of incorporation and the bylaws, shall constitute and be a contract between the Cooperative and each member, and both the Cooperative and the members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of this Article VII shall be called to the attention of each member of the Cooperative by posting in a conspicuous place in the Cooperative's office.

SECTION 3. CHARITABLE ASSIGNMENT OF MEMBERSHIP CAPITAL.

The Board may cause the establishment of a charitable trust, foundation or not-for-profit corporation (charity') for the purpose of receiving transfers of membership capital in accordance with these Bylaws and using the same for educational scholarships or other charitable uses. The declaration, charter or other organizational instruments approved by the Board shall set forth specifically the duties and purposes, and trustees, officers and employees of the Cooperative who administer such funds shall be entitled to indemnification from the Cooperative to the same extent as if such service were to the Cooperative itself. If the Board so establishes a charity,

- (a) any member may assign in writing in a form acceptable to the Cooperative all or any portion of that member's membership capital, vested or expected, to such a charity, effective as of the date of assignment; and
- (b) any distribution of the retirement of membership capital which has become vested subsequent to 1986 to a member or former member who has not claimed it, or corresponded in writing with the Cooperative concerning it, within two years after the date prescribed for the distribution shall be deemed to have been irrevocably assigned and donated to such charity, provided that the Cooperative shall give such member or former member at least sixty days' notice, either by mailing to the last address shown in the Cooperative's records or by publication at least once each week for two successive weeks in a newspaper of general circulation in the county in this state in which is located such last known address, that such assignment and gift shall be effective if that person does not claim the same before the expiration of the two-year period, and provided, further, that

this paragraph (b) shall not affect a member who is not also a member unless that member has so agreed, whether through specific agreement or by virtue of service under regulations so providing.

ARTICLE VIII. DISPOSITION OF PROPERTY

The Cooperative may not sell, convey, lease, exchange, transfer or otherwise dispose of all or any substantial portion of its property unless such sale, conveyance, lease, exchange, transfer or other disposition is authorized at a duly held meeting of the members thereof by the affirmative vote of not less than two-thirds of all of the members of the Cooperative, and unless the notice of such proposed sale, conveyance, lease, exchange, transfer or other disposition shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything contained in this Article VIII, or any other provisions of these bylaws, the Board of the Cooperative, without authorization by the members, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging, assignment for security purposes or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative.

Supplementary to the foregoing paragraph and any other applicable provisions of law or these Bylaws, no sale, lease, lease-sale, exchange, transfer or other disposition of all or a substantial portion of the Cooperative's property and assets shall be authorized except in conformity with the following:

- (A) It is the declared intent and policy of this Cooperative and its members that control of this Cooperative is an asset that belongs to all members of this Cooperative and that all such members are entitled: (i) to participate, through an election to sell or otherwise dispose of their interest, in any proposed acquisition of control of this Cooperative by another party or entity; and (ii) to be offered a

price for their interest which is fair and equitable under the circumstances.

(B) The Board of the Cooperative, when evaluating any offer of another party or entity to: (a) make a tender or exchange offer for the Cooperative; (b) merge or consolidate the Cooperative with another corporation; or, (c) purchase or acquire all, or substantially all, of the properties and assets of the Cooperative, may, in connection with the exercise of their judgment in determining what is in the best interest of the Cooperative and its members, give due consideration to all relevant factors, including without limitation the following:

- (1) The consideration being offered in the acquisition proposal in relation to the Boards' estimate of:
 - (a) The current value of the Cooperative in a freely negotiated sale of either the Cooperative by merger, consolidation, or otherwise, or all or substantially all of the Cooperative's assets;
 - (b) The current value of the Cooperative if orderly liquidated;
 - (c) The future value of the Cooperative over a period of years as an independent entity discounted to current value;
- (2) The then existing political, economic, and other factors bearing on the current market value of the Cooperative in particular;
- (3) Whether the acquisition proposal might violate federal, state or local laws;
- (4) Social, legal economic and, contractual effects on employees, suppliers, customers, subscribers, lenders, and others having similar relationships with the Cooperative, and the communities in which the Cooperative conducts its businesses;
- (5) The financial condition and earning prospects of the party or entity making the acquisition proposal including the party's ability to service its debt and other existing or likely financial obligations;
- (6) The competence, experience, and integrity of the party or entity making the acquisition proposal; and,

- (7) The interests of the members of this Cooperative in maintaining the Cooperative as a continuing independent business and Cooperative.
- (C) In evaluating acquisition proposals, the Board may retain special outside legal counsel, investment banking firms, special accounting firms, and such other experts as it, in its discretion, deems necessary or appropriate to assist in the evaluation of the transaction, all at the expense of the Cooperative.
- (D) In addition to the foregoing and any other applicable provisions of law no sale, lease, lease-sale, exchange, transfer, or other disposition within a single calendar year, of the physical plant of the Cooperative with net value in excess of ten percent (10%) of the Cooperative's total assets, based upon the most recent audit of the Cooperative, shall be authorized except in conformity with the following:
 - (1) If the Board looks with favor upon any proposal for such sale, lease, lease-sale, exchange, transfer or other disposition, it shall first cause three (3) non-independent appraisers, expert in such matters, to render their individual opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange, transfer or other disposition and as to any other terms and conditions which should be considered. The three (3) such appraisers shall be designated by a District Judge for the Ninth Judicial District in New Mexico in which the Cooperative's headquarters are located. If such judge refuses to make such designations, they shall be made by the Board;
 - (2) If the Board, after receiving such appraisals (and other terms and conditions which are submitted, if any), determines that the proposal should be submitted for consideration by the members, it shall first give every other rural electric cooperative corporately sited in New Mexico (which has not made such an offer for such sale, lease, lease-sale, exchange, transfer or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such rural electric cooperatives, which notice shall be attached to

a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three appraisers. Such electric cooperatives shall be given not less than thirty days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them;

- (3) If the Board then determines that favorable consideration should be given to the Initial or any subsequent proposal which has been submitted to it, It shall so notify the members not less than sixty (60) days before calling a special meeting of the members thereon, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereon, which meeting shall not be held sooner than ten (10) days nor more than twenty-five (25) days after the giving of notice thereof to the members: PROVIDED, that consideration thereof by the members may be given at the next annual member meeting if the Board so determines and If such annual meeting is not held sooner than ten (10) days nor more than twenty-five (25) days after the giving of notice of such meeting.
- (4) Any one hundred (100) or more members, by so petitioning the Board not less than thirty (30) days prior to the date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

The provisions of these subsections (1) through (4) shall not apply to a sale, lease, lease-sale, exchange, transfer or other disposition to one or more other rural electric cooperatives If the substantive or actual legal effect thereof is to merge or consolidate with such other one or more rural electric cooperatives.

**ARTICLE IX.
VOLUNTARY DISSOLUTION**

The Cooperative may, at any regular or special meeting legally called, be directed to dissolve by a vote of two-thirds of the entire membership. By a vote of a majority of the members voting three (3) of their number shall be designated as trustees, who shall, on behalf of the Cooperative and within a time fixed in their designation or within any extension thereof, liquidate its assets, pay its debts and expenses, return to the members their capital credits without priority on a pro rata basis thereafter consistent and in conformity with the property rights of the members and law.

**ARTICLE X.
SEAL**

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words Corporate Seal, New Mexico.

**ARTICLE XI.
FINANCIAL TRANSACTIONS**

SECTION 1. CONTRACTS.

Except as otherwise provided in these bylaws, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 2. CHECKS, DRAFTS, ETC.

Except as otherwise provided by law or in these bylaws, all checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer, officers, agent or agents of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.

SECTION 3. DEPOSITS.

All funds except petty cash of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such financial institutions as the Board may select or shall be invested in securities issued by, or in securities unconditionally guaranteed by, the United States of America, unless otherwise approved by the Board. Petty cash funds shall in no event exceed \$250.00 per cash drawer.

SECTION 4. CHANGE IN RATES.

Written notice shall be given to the Administrator of the Rural Electrification Administration of the United States of America not less than ninety (90) days prior to the date which any proposed change in rates charged by the Cooperative for electric energy becomes effective.

SECTION 5. FISCAL YEAR.

The fiscal year of the Cooperative shall begin on the first day of January of each year and end on the thirty-first day of December of the same year.

ARTICLE XII. MISCELLANEOUS

SECTION 1. MEMBERSHIP IN OTHER ORGANIZATIONS.

The Cooperative may become a member or purchase stock in other profit or nonprofit organizations, associations, partnerships, corporations, joint ventures or other business entities when the Board finds that the general or long-term interest of its membership will be served by such investments or participation.

SECTION 2. WAIVER OF NOTICE.

Any member or trustee may waive in writing, any notice of a meeting required to be given by these bylaws. The attendance of a member or trustee at any meeting shall constitute a waiver of notice of such meeting by such member or trustee except in case a member or trustee shall attend a meeting for the express purpose of objection to the transaction of any

business because the meeting shall not have been lawfully called or convened.

SECTION 3. POLICIES, RULES AND REGULATIONS.

The Board shall have the power to make and adopt such policies, rules and regulations, not inconsistent with law, the article of incorporation or these bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

SECTION 4. ACCOUNTING SYSTEM AND REPORTS.

The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Electrification Administration of the United States of America. The Board shall also after the close of each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next following annual meeting

SECTION 5. AREA COVERAGE.

The Board shall make diligent effort to see that electric service is extended to all un-served persons within the Cooperative's service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

SECTION 6. MEMBER PUBLICATIONS.

The Board shall also be empowered, on behalf of and for the circulation of the members, to subscribe to publications which shall not be less than four dollars (\$4.00) nor more than eight dollars (\$8.00), unless otherwise approved by the Board, and such subscription shall be paid for each member by the Cooperative and may include a Cooperative insert and other pages for use of the Cooperative.

ARTICLE XIII. AMENDMENTS

These bylaws may be altered, amended or repealed by the members at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

ARTICLE XIV. INDEMNIFICATION

SECTION 1. BASIC INDEMNIFICATION.

The Cooperative shall indemnify each of its officers, trustees, employees and attorneys, whether or not then in office, and any person who may have served at its request as a director or officer of another corporation in which it owns shares of capital stock or in which it holds a membership or of which it is a creditor, as well as the executor, administrator and heirs of any of them, against expenses actually and reasonably incurred by him/her (including, but not limited to, judgments, costs and counsel fees) in connection with the defense of any litigation (including any civil, criminal or administrative action, suit or proceeding) in which he/she is involved or made a party by reason of being or having been made a board member, officer, employee or attorney of the Cooperative or a director or officer of such other corporation. The trustee, officer, or other person shall not be indemnified if he/she shall be adjudged to be liable on the basis that he/she breached or failed to perform the duties of his/her office or position and the breach or failure to perform constitutes willful misconduct or recklessness. The right to indemnity for expenses shall also apply to expenses in connection with suits which are compromised or settled if (1) the court having jurisdiction of the action shall approve such settlement, or (2) a majority of the Board, excluding those interested, votes to approve such settlement.

SECTION 2. NON-EXCLUSIVE.

The foregoing right of indemnification shall be in addition to, and not exclusive of, all other rights to which such trustee, director, officer, employee or attorney may be entitled by law.

SECTION 3. DETERMINATION.

Any amount payable by way of indemnity under this Article XIII may be determined and paid (1) pursuant to an order of, or allowance by, a court under the then applicable provisions of the Rural Electric Cooperative Act, or (2) pursuant to a resolution of a majority of the members of the Board other than those who have incurred expenses in connection with the litigation for which indemnification is sought, or (3) pursuant to a resolution of a majority of the members present and voting at any annual or special meeting.

SECTION 4. INSURANCE.

The Board may, at its discretion, authorize the purchase of a policy or policies of insurance against any liability to indemnify any person pursuant to this bylaw, containing such terms and conditions as the Board may deem appropriate. Such policy or policies may include provisions for the direct indemnification of trustees, directors, officers, or other persons, for expenses of a kind not subject to indemnification hereunder, the premiums on such combined policies either to be borne entirely by the Cooperative or, at the sole discretion of the Board, on an allocation, in the judgment of the Board, between the Cooperative and the insured persons.

As Amended: January 8, 1941
 January 14, 1942
 January 14, 1948
 January 10, 1951
 June 7, 1958
 May 29, 1965
 May 22, 1971
 May 17, 1986
 April 15, 1989
 April 23, 2005
 April 28, 2007

Last Printing, July 2008

**ARTICLES OF AMENDMENT
OF
FARMERS' ELECTRIC COOPERATIVE, INC., OF NEW MEXICO**

ARTICLE I

We, the undersigned persons, being the president and secretary of Farmers' Electric Cooperative, Inc., Of New Mexico, a cooperative having been converted in accordance with Section 62-15-16, NMSA 1978, do hereby execute, pursuant to the Rural Electric Cooperative Act, these Articles of Amendment, to-wit:

- (a) The name of the cooperative is Farmers' Electric Cooperative, Inc., Of New Mexico.
- (b) The address of its principal office is 3701 Thornton Street, Clovis, New Mexico.
- (c) The date of filing of its Articles of Incorporation in the office of the State Corporation Commission was January 13, 1940.
- (d) Articles of Incorporation are amended as follows:

ARTICLE II

The purpose of this Cooperative shall be to supply electric power and energy, including promoting and extending the use thereof in rural areas. The Cooperative shall have all of the powers provided by the Rural Electric Cooperative and otherwise granted by law.

ARTICLE III

The names and addresses of the incorporators and of the persons who constitute the first Board of Trustees are:

Oscar Willmon	Clovis, New Mexico
J.O. Jordan	Jordan, New Mexico
P.B. Hartley	Hollene, New Mexico
Earl Allen	Broadview, New Mexico
O.E. Pattison	Clovis, New Mexico (Star Route)
J.E. Davis	Clovis, New Mexico (Route 2)
L.O. Hudson	Melrose, New Mexico

ARTICLE IV

The duration of the Corporation shall be perpetual.

As amended: January 15, 1940
 March 7, 1949
 July 27, 1950
 July 15, 1971
 June 19, 1986

STATEMENT OF NONDISCRIMINATION

Farmers' Electric Cooperative, Inc. Of New Mexico is the recipient of Federal financial assistance from the Department of Agriculture (USDA). The USDA prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs). Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call toll free (866) 632-9992 (voice) or (800) 877-8339 (TDD) or (866) 377-8642 (relay voice users). USDA is an equal opportunity provider and employer.

Revised: 1/25/07